HORIZON RESIDENTIAL DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Company Number SC147997

Directors

K M Bothwell
A M Collins
P R Harries
J A Pearce

Secretary

L J Edwards

Registered office

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Auditors

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Erskine House
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REPORT OF THE DIRECTORS

The Directors submit their report and audited financial statements for Horizon Residential Developments Limited ('the Company') for the year ended 31 December 2010.

Activity

The Company's principal activity is the ownership and development of land for residential housing.

Business review

During the year the Company continued to develop its stock of land for residential housing. No new sites were acquired during the year. The Company is funded by a fellow subsidiary company.

Risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group plc ('the Group'). Exposure to credit risk and interest rate risk arises in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is provided by Note 15 to the financial statements.

Construction risk

Currently there is only one active residential development. Contractor failure is mitigated through an insurance-backed guarantee that compensates the Company in the event of having to arrange a fresh contract.

Credit risk

Credit exposures arise principally from cash and cash equivalent balances with another Group company and at the reporting date none of these balances were considered past due or impaired.

Interest rate risk

In relation to interest earning financial assets and interest bearing financial liabilities, the Company does not have any significant interest rate exposure as demonstrated by the net interest income sensitivity in Note 15.

Performance

The Company made a loss after tax for the financial year of £1,413,327 (2009: £126,861 profit). The loss for the year includes a write down in value of the site at Bolton Upon Dearne of £776,248 and a write down in value of the Trafford Press site of £557,027.

During the year the Company sold 4 residential units at its Lennoxtown site generating revenue of £728,000. Since 2006 the Company has sold all of the available 102 market units in Phase II.

The Balance Sheet shows total assets of £1,213,316 in 2010 compared to £3,416,240 in 2009. This includes a movement in inventories from £2,130,750 in 2009 to £656,157 in 2010. The decrease includes the write downs noted above and the release of £495,000 from inventories to cover the sales of residential units, offset by development expenditure incurred in the year of £353,682. The decrease in total assets also includes a decrease in cash from £1,198,555 to £5,408 offset by an increase in tax recoverable of £474,581.

The key performance indicator used in assessing the performance of the Company is monitoring of actual cash flows from each development site against plan. At each Board Meeting the Directors review the performance of the Company's development sites. Management accounts are reviewed by the Directors.

Future developments

Currently there are no plans to engage in further developments.

REPORT OF THE DIRECTORS (continued)

Dividends

No dividends were paid during the year (2009: £nil).

Going concern

As set out in Note 2 - 'Principles underlying going concern assumption' of the Notes to the financial statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Directors and their interests

The Directors at the date of this report are as stated on page 2.

Dates of appointment and resignation during the period and up to the date of this report were as follows:

Director	Date of Appointment	Date of Resignation
J K Cruickshank	-	11th April 2011
J C O'Neil	-	11th April 2011

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors as at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2009: nil).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Auditors and disclosure of information to auditors

Each Director in office at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Accordingly, a resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors will be put to the members of the Company before the end of the next period for appointing auditors (as defined by the Companies Act 2006).

Small companies' exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

By Order of the Board,

L J Edwards
Secretary

2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HORIZON RESIDENTIAL DEVELOPMENTS LIMITED

We have audited the financial statements of Horizon Residential Developments Limited for the year ended 31 December 2010 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.

Gary Shaw

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

27 June 2011

Income Statement

For the year ended 31 December 2010

	Note	2010 £	2009 £
Revenue	3	795,768	2,623,200
Cost of sales	4	(2,164,038)	(2,217,127)
Gross (loss)/profit		(1,368,270)	406,073
Operating expenses	5	(406,447)	(38,587)
Other expenses	6	(1,000)	(1,000)
Net other expenses		(1,000)	(1,000)
Operating (loss)/profit before financing costs		(1,775,717)	366,486
Financial income	7	2,056	1,364
Financial expense	7	(189,293)	(196,866)
Net financing costs		(187,237)	(195,502)
(Loss)/profit before tax		(1,962,954)	170,984
Income tax credit/(expense)	8	549,627	(44,123)
(Loss)/profit after tax for the year		(1,413,327)	126,861

The notes on pages 11 to 20 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	£	£
(Loss)/profit for the year	(1,413,327)	126,861
Total comprehensive income for the year	(1,413,327)	126,861

The notes on pages 11 to 20 form part of these financial statements.

Balance Sheet

As at 31 December 2010

	Note	2010	2009
		£	£
Assets			
Inventories	12	656,157	2,130,750
Income tax receivable	9	501,751	27,170
Trade and other receivables	10	50,000	59,765
Cash and cash equivalents	13	5,408	1,198,555
Total current assets		1,213,316	3,416,240
Total assets		1,213,316	3,416,240
Equity			
Issued capital	11	2	2
Retained earnings		(4,529,611)	(3,116,284)
Total equity		(4,529,609)	(3,116,282)
Liabilities			
Amounts due to fellow subsidiary undertaking	17	5,714,224	6,217,879
Trade and other payables	14	28,701	314,643
Total current liabilities		5,742,925	6,532,522
Total liabilities		5,742,925	6,532,522
Total equity and liabilities		1,213,316	3,416,240

The notes on pages 11 to 20 form part of these financial statements.

Approved by the Board at a meeting on 27th June 2011 and signed on its behalf by:

.... Director

PAUL HARRIES

Statement of Changes in Equity

For the year ended 31 December 2010

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2009	2	(3,243,145)	(3,243,143)
Profit for the year			
Profit after taxation	-	126,861	126,861
Total comprehensive income	-	126,861	126,861
Balance at 1 January 2010	2	(3,116,284)	(3,116,282)
Loss for the year			
Loss after taxation	-	(1,413,327)	(1,413,327)
Total comprehensive income	-	(1,413,327)	(1,413,327)
Balance at 31 December 2010	2	(4,529,611)	(4,529,609)

The notes on pages 11 to 20 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010	2009
		£	£
Cash flows from operating activities			
Operating (loss)/profit		(1,775,717)	366,486
Decrease in inventories		1,474,592	1,547,605
Decrease in trade and other receivables		9,765	8,813
Decrease in amounts due to fellow subsidiary undertaking		(617,830)	(1,073,891)
Decrease in trade and other payables		(285,941)	(819,647)
Cash generated from operations		(1,195,131)	29,366
Interest paid		(72)	-
Income taxes received		-	1,138,675
Net cash from operating activities		(1,195,203)	1,168,041
Cash flows from investing activities			
Interest received		2,056	1,364
Net cash from investing activities		2,056	1,364
Cash flows from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(1,193,147)	1,169,405
Cash and cash equivalents at 1 January		1,198,555	29,150
Cash and cash equivalents at 31 December	13	5,408	1,198,555

The notes on pages 11 to 20 form part of these financial statements.

Notes to the financial statements

1. Significant accounting policies

Horizon Residential Developments Limited (the "Company") is a limited company registered and domiciled in Scotland.

The financial statements were authorised for issue by the Directors on 27th June 2011.

(a) Financial statements
The financial statements of Horizon Residential Developments Limited comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows together with the related Notes to the financial statements

(b) Statement of compliance
The 2010 statutory financial statements set out on pages 6 to 20 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. Consequently, the financial statements comply with International Financial Reporting Standards.

(c) Basis of preparation
The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair values: investment property.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2010. None of these standards or amendments have had a material impact on these financial statements.

(i) IFRS 3 'Business Combinations'. This revised standard applies prospectively to business combinations from 1 January 2010. The revised standard continues to require the use of the acquisition method of accounting for business combinations. All payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently remeasured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest, and all transaction costs are expensed (other than those in relation to the issuance of debt instruments or share capital).

(ii) IAS 27 'Consolidated and Separate Financial Statements'. Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control; any remaining interest in an investee is remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.

(iii) IFRIC 17 'Distributions of Non-cash Assets to Owners'. Provides accounting guidance for non-reciprocal distributions of non-cash assets to owners (and those in which owners may elect to receive a cash alternative).

(iv) Amendment to IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items'. Clarifies how the principles underlying hedge accounting should be applied in particular situations.

(v) 'Improvements to IFRSs' (issued April 2009). Sets out minor amendments to IFRS standards as part of the annual improvements process.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(d) IFRS not yet applied

The following pronouncements have been issued but were not effective at 31 December 2010 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company.

(i) IFRS 9 'Financial Instruments: Classification and Measurement'. Replaces those parts of IAS 39 'Financial Instruments: Recognition and Measurement' relating to the classification, measurement and derecognition of financial assets and liabilities. It requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.

(ii) IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39. The effective date of the standard is annual periods beginning on or after 1 January 2013.

(iii) Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues'. Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010.

(iv) IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'. Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in the Income Statement representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued; the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured. The interpretation is effective for annual periods beginning on or after 1 July 2010 and is consistent with Lloyds Banking Group's existing accounting policy.

(v) 'Improvements to IFRSs' (issued May 2010). Sets out minor amendments to IFRS standards as part of the annual improvements process. The effective dates vary on a standard by standard basis but none are effective any earlier than annual periods beginning on or after 1 July 2010.

(vi) Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'. Applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements and permits such an entity to treat the benefit of such an early payment as an asset. The amendment is effective for annual periods beginning on or after 1 January 2011.

(vii) Amendments to IAS 24 'Related Party Disclosures'. Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The revised standard is effective for annual periods beginning on or after 1 January 2011.

(viii) Amendments to IFRS 7 'Financial Instruments: Disclosures – Disclosures-Transfers of Financial Assets'. Requires additional disclosures in respect of risk exposures arising from transferred financial assets.

At the date of this report, IFRS 9 and Amendments to IFRS 7 are awaiting EU endorsement.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(e) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Deferred tax

The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. Estimates of future taxable income/profits are made and management judgement is exercised as to whether these estimates indicate if the deferred tax asset can be recovered and when.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

(g) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash balances at banks that are freely available.

(h) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(i) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Trade and other payables

Trade and other payables are stated at cost.

Notes to the financial statements (continued)

1. Significant accounting policies (continued)

(k) Revenue

Revenue is recognised on conclusion of sale of houses or land.

(l) Net finance costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the Income Statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Interest income and interest payable presented in the Income Statement include interest on financial assets or liabilities at amortised cost on an effective interest rate basis.

(m) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc. Notwithstanding the improvement in market liquidity during 2010, the Company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position. The Directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

3. Revenue

	2010	2009
	£	£
House sales	728,000	2,602,900
Insurance receipt	60,968	-
Non refunded deposits	3,800	20,300
Rent	3,000	-
	795,768	2,623,200

Notes to the financial statements (continued)

4. Cost of sales

	2010	2009
	£	£
House and land sales	495,000	1,771,281
Management fee	333,878	189,606
Write down of inventory	1,333,275	250,000
Other selling costs	1,885	6,240
	2,164,038	2,217,127

5. Operating expenses

	2010	2009
	£	£
Property expenses	400,247	38,587
Legal and professional fees	6,200	-
	406,477	38,587

6. Other expenses

	2010	2009
	£	£
Audit fees	1,000	1,000

The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within the Wholesale Division of Lloyds Banking Group plc. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of the services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors. The total emoluments of the Directors are included in the financial statements of the ultimate parent company, Lloyds Banking Group plc.

7. Net financing costs

	2010	2009
	£	£
Interest income	2,056	1,364
Financial income	2,056	1,364
Interest expense	(189,293)	(196,866)
Financial expense	(189,293)	(196,866)
Net financing costs	(187,237)	(195,502)

Notes to the financial statements (continued)

8. Income tax credit/(expense)

Recognised in the Income Statement

	2010	2009
	£	£
Current tax credit/(expense)		
Current year credit/(charge)	549,627	(47,875)
Adjustment for prior years	-	3,752
	549,627	(44,123)
Total income tax credit/(expense) in Income Statement	549,627	(44,123)

Reconciliation of effective tax rate

	2010	2009
	£	£
(Loss)/profit on ordinary activities before tax	(1,962,954)	170,984
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	549,627	(47,875)
Prior year adjustment	-	3,752
Total income tax credit/(expense) in Income Statement	549,627	(44,123)

9. Current tax asset

The current tax asset of £501,751 (2009: £27,170) represents the amount of income tax receivable in respect of the current period and prior periods.

10. Trade and other receivables

	2010	2009
	£	£
Trade and other receivables	50,000	59,765

11. Capital and reserves

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within the Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company.

Share capital

	Ordinary shares	
	2010	2009
	£	£
On issue at 1 January and at 31 December – fully paid	2	2

At 31 December 2010, the authorised share capital comprised 100 £1 ordinary shares (2009: 100).

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company.

Notes to the financial statements (continued)

12. Inventories

	2010	2009
	£	£
At 1 January	2,130,750	3,678,353
Additions	353,682	473,678
Inventory write down	(1,333,275)	(250,000)
Disposals	(495,000)	(1,771,281)
At 31 December	656,157	2,130,750

13. Cash and cash equivalents

	2010	2009
	£	£
Cash at bank	5,408	1,198,555
Cash and cash equivalents in the Statement of Cash Flows	5,408	1,198,555

14. Trade and other payables

	2010	2009
	£	£
Other trade payables	23,023	246,646
Deferred income	3,678	66,997
Non-trade payables and accrued expenses	2,000	1,000
	28,701	314,643

15. Financial instruments

Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash and cash equivalent balances with another Group company.

The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2010	2009
	£	£
Cash and cash equivalents	5,408	1,198,555
	5,408	1,198,555

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances placed with the Group and at the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not been renegotiated.

Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors.

- Interest rates (interest rate risk)
- Foreign Exchange Rates (foreign exchange risk)
- Equity markets (equity risk)

At the reporting date the Company's only exposure to market risk arose from interest rate risk, as all transactions and balances were denominated in Sterling and no equity share investments were held.

Notes to the financial statements (continued)

15. Financial instruments (continued)

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise variable rate borrowings provided by another Group company and they are used to finance the Company's investment property. Accordingly, the Company does not have any significant interest rate exposure as demonstrated by the net interest income (NII) sensitivity table below.

This table sets out the sensitivity of the Company's net interest income over a 12 month period to an immediate up and down 25 basis points change to all interest rates as at the Balance Sheet date.

	2010	2009
	£000	£000
Impact of +25 bps shift	(14)	(13)
Impact of –25 bps shift	14	13

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount. Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on NII.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-Balance Sheet instruments.

The Company's short term liquidity requirements are supported by a facility with another Group company subject to internal limits. Overall liquidity of the Group is managed centrally.

All funding is provided by the Group and the table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the Balance Sheet date.

As at 31 December 2010

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	5,731,479	-	-	5,731,479
Trade and other payables	-	4,500	24,201	28,701
Total liabilities	5,731,479	4,500	24,201	5,760,180

As at 31 December 2009

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	6,233,843	-	-	6,233,843
Trade and other payables	-	314,643	-	314,643
Total liabilities	6,233,843	314,643	-	6,548,486

Notes to the financial statements (continued)

15. Financial instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the Balance Sheet are as follows:

	Notes	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
		£	£	£	£
Trade and other receivables	10	50,000	50,000	59,765	59,765
Cash and cash equivalents	13	5,408	5,408	1,198,555	1,198,555
Amounts due to fellow subsidiary undertaking	17	(5,714,224)	(5,714,224)	(6,217,879)	(6,217,879)
Trade and other payables	14	(28,701)	(28,701)	(314,643)	(314,643)
		(5,687,517)	(5,687,517)	(5,274,202)	(5,274,202)
Unrecognised (losses) / gains			-		-

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

16. Parent undertakings

As at 31 December 2010 the Company's immediate parent company was Horizon Capital 2000 Ltd. The company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2010. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

17. Related parties

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits.

The Company also has a related party relationship with its fellow subsidiary undertaking Horizon Resources Limited. This relationship has arisen due to the provision of funding to the Company.

Notes to the financial statements (continued)

17. Related parties (continued)

Details of the related party transactions during the year are disclosed in the table below.

Nature of transaction	Related Party	Outstanding balance at 1 January 2010	Outstanding balance at 31 December 2010	Income/ expense included in Income Statement for the year ended 31 December 2010	Income/ expense included in Income Statement for the year ended 31 December 2009	Disclosure in financial statements
		£	£	£	£	
Bank account	Bank of Scotland plc	1,198,555	5,408	-	-	Cash and cash equivalents
Intercompany payable	Horizon Resources Limited	6,217,879	5,714,224	-	-	Amounts due to fellow subsidiary undertaking
Interest receivable	Bank of Scotland plc	-	-	2,056	1,364	Financial income
Interest payable	Bank of Scotland plc	-	-	72	-	Financial expense
Interest payable	Horizon Resources Limited	-	-	189,221	196,866	Financial expense

18. Subsequent event s

(i) Change in Corporation Tax rate
The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent with effect from 1 April 2011.

In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26 per cent with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011.

The proposed further reductions in the rate of corporation tax by 1 per cent per annum to 23 per cent from 1 April 2014 are expected to be enacted separately each year. The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage.

(ii) Asset sales
The Company completed the sale of the Trafford Press site in April 2011 followed by the sale of the site at Bolton Upon Dearne in May 2011. Following these sales the Company no longer holds any property assets.